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# ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER  
8- 39687

FACING PAGE

## Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 4/1/02 AND ENDING 3/31/03  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Penn Plaza Brokerage, LTD

OFFICIAL USE ONLY  
22366  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

70 West 40th Street

(No. and Street)

New York, NY 10018

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Jack Kane (212) 921-7733  
(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Gruber Palumberi Raffaele, P.C.

(Name - if individual, state last, first, middle name)

386 Park Avenue South

(Address)

New York

(City)

NY

(State)

10016

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED  
JUL 16 2003

FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Jack Kane, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Penn Plaza Brokerage, LTD, as of March 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ALICE F JAMES  
Notary Public, State of New York  
No. 24-4795492  
Qualified in Kings County  
Commission Expires Dec 31, 2005

Alice F. James  
Notary Public

\_\_\_\_\_  
Signature  
President  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**PENN PLAZA BROKERAGE LTD**

**FINANCIAL STATEMENTS**

**MARCH 31, 2003**

FORM  
X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

Part IIA

17a-5(a)

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

## COVER

Select a filing method:

Basic  Alternate  [0011]

Name of Broker Dealer:

PENN PLAZA BROKERAGE, LTD.

[0013]

SEC File Number: 8- 3968

[0014]

Address of Principal Place of Business:

70 W. 40TH ST. 4TH FL

[0020]

NEW YORK NY 10018-2604

[0021] [0022]

[0023]

Firm ID: 2236

[0015]

For Period Beginning 04/01/2002

[0024]

And Ending 03/31/2003

[0025]

Name and telephone number of person to contact in regard to this report:

Name: Jack Kane, President Phone: (212) 921-7733  
[0030] [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0032] [0033]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0034] [0035]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0036] [0037]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0038] [0039]

Does respondent carry its own customer accounts? Yes  [0040] No  [0041]

Check here if respondent is filing an audited report  [0042]



**GRUBER PALUMBERI RAFFAELE, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
386 PARK AVENUE SOUTH NEW YORK, NY 10016  
TELEPHONE: (212) 532-8261  
FAX: (212) 532-9707

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Penn Plaza Brokerage LTD

We have audited the accompanying statement of financial condition of Penn Plaza Brokerage LTD as of March 31, 2003, and the related statements of income, changes in ownership equity, and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Penn Plaza Brokerage LTD as of March 31, 2003, and the results of its operation and its cash flow for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in the supplementary schedules of Computation and Reconciliation of Net Capital Pursuant to Rule 15c301 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New York, NY  
May 23, 2003

Gruber Palumberi Raffaele, PC

# ASSETS

Consolidated [0198] Unconsolidated [0199]

	Allowable	Non-Allowable	Total
1. Cash	72,608 [0200]		72,608 [0750]
2. Receivables from brokers or dealers:			
A. Clearance account	[0295]		
B. Other	[0300]	[0550]	[0810]
3. Receivables from non-customers	11,231 [0355]	11,757 [0600]	22,988 [0830]
4. Securities and spot commodities owned, at market value:			
A. Exempted securities	[0418]		
B. Debt securities	[0419]		
C. Options	[0420]		
D. Other securities	[0424]		
E. Spot commodities	[0430]		[0850]
5. Securities and/or other investments not readily marketable:			
A. At cost	[0130]		
B. At estimated fair value	[0440]	[0610]	[0860]
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities	[0150]		
B. Other securities	[0160]		
7. Secured demand notes market value of collateral:			
A. Exempted securities	[0470]	[0640]	[0890]
B. Other securities	[0170]		
	[0180]		

8.	Memberships in exchanges:			
	A. Owned, at market			
		<u>                    </u>		
		[0190]		
	B. Owned, at cost		<u>                    </u>	
			[0650]	
	C. Contributed for use of the company, at market value		<u>                    </u>	<u>                    </u>
			[0660]	[0900]
9.	Investment in and receivables from affiliates, subsidiaries and associated partnerships	<u>                    </u>	<u>                    </u>	<u>                    </u>
		[0480]	[0670]	[0910]
10.	Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	<u>                    </u>	<u>16,596</u>	<u>16,596</u>
		[0490]	[0680]	[0920]
11.	Other assets	<u>                    </u>	<u>46,253</u>	<u>46,253</u>
		[0535]	[0735]	[0930]
12.	<b>TOTAL ASSETS</b>	<u>83,839</u>	<u>74,606</u>	<u>158,443</u>
		[0540]	[0740]	[0940]

## LIABILITIES AND OWNERSHIP EQUITY

	Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13.	Bank loans payable	[1045]	[1255]	[147]
14.	Payable to brokers or dealers:			
	A. Clearance account	[1114]	[1315]	[156]
	B. Other	[1115]	[1305]	[154]
15.	Payable to non-customers	[1155]	[1355]	[161]
16.	Securities sold not yet purchased, at market value		[1360]	[162]
17.	Accounts payable, accrued liabilities, expenses and other	60,909 [1205]	[1385]	60,90 [168]
18.	Notes and mortgages payable:			
	A. Unsecured	[1210]		[169]
	B. Secured	[1211]	[1390]	[170]
19.	Liabilities subordinated to claims of general creditors:			
	A. Cash borrowings:			
	1. from outsiders		[1400]	[171]
		[0970]		
	2. Includes equity subordination (15c3-1(d)) of			
		[0980]		
	B. Securities borrowings, at market value: from outsiders		[1410]	[172]
		[0990]		
	C. Pursuant to secured demand note collateral agreements:			
	1. from outsiders		[1420]	[173]
		[1000]		
	2. Includes equity subordination (15c3-1(d)) of			
		[1010]		
	D. Exchange memberships contributed for use of company, at market value		[1430]	[174]
	E. Accounts and other			



	borrowings not qualified for net capital purposes	[1220]	[1440]	[175]
20.		60,909	0	60,909
	<b>TOTAL LIABILITIES</b>	[1230]	[1450]	[176]

## Ownership Equity

				<b>Total</b>
21.	Sole proprietorship			[177]
22.	Partnership (limited partners [1020] )			[178]
23.	Corporations:			
	A. Preferred stock			[179]
	B. Common stock		4,00	[179]
	C. Additional paid-in capital		28,30	[179]
	D. Retained earnings		65,23	[179]
	E. Total		97,53	[179]
	F. Less capital stock in treasury			[179]
24.	<b>TOTAL OWNERSHIP EQUITY</b>		97,53	[180]
25.	<b>TOTAL LIABILITIES AND OWNERSHIP EQUITY</b>		158,44	[181]

# STATEMENT OF INCOME (LOSS)

Period Beginning 01/01/2003  
[3932]

Period Ending 03/31/2003  
[3933]

Number of months \_\_\_\_\_  
[3931]

## REVENUE

1. Commissions:	
a. Commissions on transactions in exchange listed equity securities executed on an exchange	_____ [3935]
b. Commissions on listed option transactions	_____ [3938]
c. All other securities commissions	2,346,539 _____ [3939]
d. Total securities commissions	2,346,539 _____ [3940]
2. Gains or losses on firm securities trading accounts	
a. From market making in options on a national securities exchange	_____ [3945]
b. From all other trading	_____ [3949]
c. Total gain (loss)	_____ [3950]
3. Gains or losses on firm securities investment accounts	_____ [3952]
4. Profit (loss) from underwriting and selling groups	_____ [3955]
5. Revenue from sale of investment company shares	_____ [3970]
6. Commodities revenue	_____ [3990]
7. Fees for account supervision, investment advisory and administrative services	_____ [3975]
8. Other revenue	9,620 _____ [3995]
9. Total revenue	2,356,159 _____ [4030]

## EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	_____ [4120]
11. Other employee compensation and benefits	114,569 _____ [4115]
12. Commissions paid to other broker-dealers	1,656,394 _____ [4140]
13. Interest expense	_____ [4075]
a. Includes interest on accounts subject to subordination agreements	_____ [4070]
14. Regulatory fees and expenses	_____ [4195]
15. Other expenses	581,049 _____ [4100]
16. Total expenses	2,352,008 _____ [4200]

## NET INCOME

17. Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)	4,147 _____ [4210]
	1,733 _____

18.	Provision for Federal income taxes (for parent only)		[422]
19.	Equity in earnings (losses) of unconsolidated subsidiaries not included above		<u>[422]</u>
	a. After Federal income taxes of	<u>[4238]</u>	
20.	Extraordinary gains (losses)		<u>[422]</u>
	a. After Federal income taxes of	<u>[4239]</u>	
21.	Cumulative effect of changes in accounting principles		<u>[422]</u>
22.	Net income (loss) after Federal income taxes and extraordinary items		<u>2,41</u> <u>[423]</u>
<b>MONTHLY INCOME</b>			
23.	Income (current monthly only) before provision for Federal income taxes and extraordinary items		<u>34</u> <u>[421]</u>

# EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

- A. (k) (1)--Limited business (mutual funds and/or variable annuities only)  [4550
- B. (k) (2)(i)--"Special Account for the Exclusive Benefit of customers" maintained  [4560
- C. (k) (2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)  [4570

Clearing Firm SEC#s	Name	Product Code
8- _____ [4335A]	_____ [4335A2]	_____ [4335B]
8- _____ [4335C]	_____ [4335C2]	_____ [4335D]
8- _____ [4335E]	_____ [4335E2]	_____ [4335F]
8- _____ [4335G]	_____ [4335G2]	_____ [4335H]
8- _____ [4335I]	_____ [4335I2]	_____ [4335J]

- D. (k) (3)--Exempted by order of the Commission  [4580

## COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition		97,53€
			[3480]
2.	Deduct ownership equity not allowable for Net Capital		[3490]
3.	Total ownership equity qualified for Net Capital		97,53€
			[3500]
4.	Add:		
A.	Liabilities subordinated to claims of general creditors allowable in computation of net capital		€
			[3520]
B.	Other (deductions) or allowable credits (List)		
		[3525A]	[3525B]
		[3525C]	[3525D]
		[3525E]	[3525F]
			€
			[3525]
5.	Total capital and allowable subordinated liabilities		97,53€
			[3530]
6.	Deductions and/or charges:		
A.	Total nonallowable assets from Statement of Financial Condition ( <u>Notes B and C</u> )	74,60€	
		[3540]	
B.	Secured demand note deficiency		[3590]
C.	Commodity futures contracts and spot commodities - proprietary capital charges		[3600]
D.	Other deductions and/or charges		-74,60€
		[3610]	[3620]
7.	Other additions and/or credits (List)		
		[3630A]	[3630B]
		[3630C]	[3630D]
		[3630E]	[3630F]
			€
			[3630]
8.	Net capital before haircuts on securities positions		22,93€
			[3640]
9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):		
A.	Contractual securities commitments		[3660]
B.	Subordinated securities borrowings		[3670]
C.	Trading and investment securities:		
1.	Exempted securities		[3735]
2.	Debt securities		[3733]
3.	Options		[3730]
4.	Other securities		[3734]
D.	Undue Concentration		[3650]
E.	Other (List)		

	[3736A]	[3736B]	
	_____	_____	
	[3736C]	[3736D]	
	_____	_____	
	[3736E]	[3736F]	
		0	
		[3736]	_____
10.	Net Capital		22,93
			[375]

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

**Part A**

11.	Minimum net capital required (6-2/3% of line 19)	_____	4,06
			[375]
12.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>	_____	5,00
			[375]
13.	Net capital requirement (greater of line 11 or 12)	_____	5,00
			[376]
14.	Excess net capital (line 10 less 13)	_____	17,93
			[377]
15.	Excess net capital at 1000% (line 10 less 10% of line 19)	_____	16,83
			[378]

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16.	Total A.I. liabilities from Statement of Financial Condition	_____	60,90
			[379]
17.	Add:		
A.	Drafts for immediate credit	_____	
		[3800]	
B.	Market value of securities borrowed for which no equivalent value is paid or credited	_____	
		[3810]	
C.	Other unrecorded amounts(List)		
	_____	_____	
	[3820A]	[3820B]	
	_____	_____	
	[3820C]	[3820D]	
	_____	_____	
	[3820E]	[3820F]	
		0	
		[3820]	_____
			[383]
19.	Total aggregate indebtedness	_____	60,90
			[384]
20.	Percentage of aggregate indebtedness to net capital (line 19 / line 10)	% _____	26
			[385]

### OTHER RATIOS

21.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	% _____	
			[386]

## SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
_[4600]	_____	— [4602]	_____	_____	_____
	[4601]		[4603]	[4604]	[4605]
_[4610]	_____	— [4612]	_____	_____	_____
	[4611]		[4613]	[4614]	[4615]
_[4620]	_____	— [4622]	_____	_____	_____
	[4621]		[4623]	[4624]	[4625]
_[4630]	_____	— [4632]	_____	_____	_____
	[4631]		[4633]	[4634]	[4635]
_[4640]	_____	— [4642]	_____	_____	_____
	[4641]		[4643]	[4644]	[4645]
_[4650]	_____	— [4652]	_____	_____	_____
	[4651]		[4653]	[4654]	[4655]
_[4660]	_____	— [4662]	_____	_____	_____
	[4661]		[4663]	[4664]	[4665]
_[4670]	_____	— [4672]	_____	_____	_____
	[4671]		[4673]	[4674]	[4675]
_[4680]	_____	— [4682]	_____	_____	_____
	[4681]		[4683]	[4684]	[4685]
_[4690]	_____	— [4692]	_____	_____	_____
	[4691]		[4693]	[4694]	[4695]
		TOTAL \$	0		
			[4699]		

Omit Pennies

**Instructions** Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

# STATEMENT OF CHANGES

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## STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1.	Balance, beginning of period		<u>95,12</u>
			[424]
A.	Net income (loss)		<u>2,41</u>
			[425]
B.	Additions (includes non-conforming capital of	<u>                    </u>	<u>                    </u>
		[4262] )	[426]
C.	Deductions (includes non-conforming capital of	<u>                    </u>	<u>                    </u>
		[4272] )	[427]
2.	Balance, end of period (From item 1800)		<u>97,53</u>
			[429]

## STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3.	Balance, beginning of period		<u>                    </u>
			[430]
A.	Increases		<u>                    </u>
			[431]
B.	Decreases		<u>                    </u>
			[432]
4.	Balance, end of period (From item 3520)		<u>                    </u>
			[433]



**PENN PLAZA BROKERAGE LTD  
STATEMENT OF CASH FLOW  
YEAR ENDED MARCH 31, 2003**

Cash flows from operating activities		
Net profit		\$ 2,416
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	\$ 6,640	
Changes in assets and liabilities		
Receivable from non-customers	37,380	
Other assets	(23,019)	
Accounts payable, accrued liabilities and other	<u>(36,844)</u>	
		<u>(15,843)</u>
Cash flows used in operating activities		(13,427)
Cash flows from investing activities		
Purchases of fixed assets		<u>(22,444)</u>
Net decrease in cash		(35,871)
Cash at beginning of year		<u>108,479</u>
Cash at end of year		<u>\$ 72,608</u>
Supplementary information		
Income taxes paid		<u>\$ 12,910</u>

See independent auditor's report and notes to financial statements.

**PENN PLAZA BROKERAGE LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2003**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

The Company is engaged in the sale of redeemable shares of registered investment companies, and variable annuities. The Company does not carry customer accounts. The Company earns a commission in connection with its activities as a broker.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of property and equipment is computed by both straight-line and accelerated methods over the assets' estimated lives ranging from five to seven years. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts and the resulting gain or losses is reflected in operations.

Cash and Cash Equivalents:

All highly liquid investments with a maturity of three months or less at date of purchase are carried at fair value and considered to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2: CONCENTRATION OF CREDIT RISK**

Financial Instruments

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of temporary cash investments. The Company maintains its cash balances at one financial institution. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit. At March 31, 2003, the Company maintained cash investment accounts with combined balances of \$11,952 that were not FDIC insured.

**PENN PLAZA BROKERAGE LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2003**

**NOTE 3: NET CAPITAL**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Respondent is required to maintain a minimum net capital as defined under such provision. Net capital and the related net capital ratio may fluctuate on a daily basis.

At March 31, 2003 the Respondent had net capital and net capital requirements of \$22,930 and \$5,000 respectively.

At March 31, 2003 Respondent's aggregate indebtedness to net capital ratio was 2.656 to 1.

**NOTE 4: SIPC MEMBERSHIP**

The Company is exempt from SIPC membership as its revenues are derived from entities registered under the Investment Act of 1940.

**NOTE 5: RELATED PARTY TRANSACTIONS**

The Company shares space and certain administrative expenses with a related entity whose principal stockholder has an interest in the Company. Total rent, overhead and administrative expenses paid to the related company and to the shareholder amounted to approximately \$144,000 for the year ended March 31, 2003.

In addition an amount of approximately \$136,000 was paid to another shareholder for management and administrative services.

**NOTE 6: COMMITMENTS AND CONTIGENCIES**

The Company leases office facilities with a related entity under a non-cancelable operating lease expiring on July 31, 2006. The future lease payments, excluding escalation charges are as follows:

Year ending <u>March 31</u>	
2004	\$ 106,677
2005	109,881
2006	113,172
2007	28,500



GRUBER PALUMBERI RAFFAELE, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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To The Board of Directors  
Penn Plaza Brokerage LTD

We have examined the financial statements of Penn Plaza Brokerage LTD for the year ended March 31, 2003, and have issued our report thereon dated May 23, 2003. As part of our examination, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under rule 171-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future period is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Penn Plaza Brokerage LTD taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at March 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management and the Securities and Exchange Commission and should not be used for any other purpose.

New York, NY  
May 23, 2003

Gruber Palumberi Raffaele, PC

A handwritten signature in black ink that reads "Gruber Palumberi Raffaele PC". The signature is written in a cursive, flowing style.

**PENN PLAZA BROKERAGE LTD  
RECONCILIATION OF PROFIT BETWEEN  
AUDITED AND UNAUDITED  
STATEMENTS OF FINANCIAL CONDITION  
MARCH 31, 2003**

Net unaudited profit	\$ 2,416
Net audited profit	<u>2,416</u>
Difference - unaudited and audited profit	<u>\$ -0-</u>

See independent auditor's report and notes to financial statements.

**PENN PLAZA BROKERAGE LTD  
RECONCILIATION OF NET CAPITAL  
AUDITED AND UNAUDITED  
MARCH 31, 2003**

Unaudited net capital	\$ 22,930
Audited net capital	<u>22,930</u>
Difference - unaudited and audited net capital	<u>\$ -0-</u>

See independent auditor's report and notes to financial statements.